

Message Text

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SUBJECT: SLOW TOBACCO MARKET CAUSING FARMER UNREST

1. SUMMARY: THE SLUGGISH DEMAND FOR EXPORTABLE ORIENTAL TOBACCO DURING THE CURRENT BUYING SEASON FOR THE 1975 CROP IS CREATING INCREASING UNREST AMONG NORTHERN GREECE'S APPROXIMATELY 100,000 TOBACCO FARMERS. RESULT COULD BE FARMER PROTEST DEMONSTRATIONS FOR INCREASED GOVT ASSISTANCE, OR ACCELERATED DEPOPULATION OF COUNTRYSIDE AS TOBACCO FARMERS SEEK MORE REMUNERATIVE AND LESS BACKBREAKING JOBS IN CITIES. AT THE VERY LEAST, THERE MAY BE DECREASE IN POPULARITY FOR KARAMANLIS IN ONE OF HIS TRADITIONAL BASTIONS OF SUPPORT, THE NORTHERN GREEK COUNTRYSIDE. END SUMMARY.

2. TOBACCO FARMERS' PROBLEMS AND UNHAPPINESS ARE RESULT OF WORLDWIDE OVERSUPPLY OF ORIENTAL TOBACCOES, RELATIVELY HIGH GREEK PRICES CAUSED BY HIGH GOVT SUPPORT PRICES, AND FARMERS OWN HEIGHTENED EXPECTATIONS AFTER NUMBER OF GOOD YEARS. GREEK TOBACCO MERCHANTS WHO NORMALLY BUY FROM FARMERS AND SELL TO FOREIGN BUYERS STILL HOLD ABOUT 10,000 TONS OR HALF OF THEIR PURCHASES OF 1974 :490, BECAUSE LAST YEAR FOREIGN BUYERS BOUGHT CHEAPER BULGARIAN, TURKISH AND OTHER TOBACCOES. FOR THIS REASON, GREEK MERCHANTS ARE NOT BUYING 1975 CROP, WHICH IS 30-40 PERCENT LARGER THAN 1974, UNLESS THEY HAVE FIRM COMMITMENT FROM FOREIGN BUYERS FOR SUBSEQUENT RESALE, A COM-

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MITMENT THEY RARELY GET. THUS, FARMER IS NOW VICTIM OF SLOW

DEMAND AS WELL AS THE MERCHANTS.

3. HIS UNHAPPINESS OVER THIS IS INCREASED BY THE RELATIVE PROSPERITY HE HAS BEEN ENJOYING, SO MUCH SO THAT NUMBER OF TOBACCO FARMERS INCREASED IN 1975 AFTER DECLINING STEADILY FOR MANY YEARS. AVERAGE PRICES FOR EXPORTABLE ORIENTAL TOBACCO JUMPED FROM 34.5 DRACHMA PER KILO FOR 1971 CROP TO 88.0 FOR 1974 CROP. AS SAME TIME, SUPPORT PRICE WENT FROM 27.9 TO 60 DRACHMA PER KILO, SO FARMER HAS TRADITIONALLY ENJOYED AND NOW EXPECTS SOME PROFIT ABOVE SUPPORT PRICE. AVERAGE SUPPORT PRICE FOR 1975 CROP IS 79 DRACHMA, AND WITH TRADITIONAL PROFIT ABOVE THIS, HE EXPECTED TO RECEIVE ABOUT 100 DRACHMA PER KILO. NOW, HE CANNOT FIND ANY BUYERS AND HE MAY BE FORCED TO SELL TO GOVT AT SUPPORT PRICE, REDUCING HIS INCOME OVER 1974 CROP AND ADDING TO UNSOLD STOCKS WHICH WILL COMPETE WITH HIS LATTER CROPS.

4. THE FARMER IS UNHAPPY. WHAT HE WILL DO ABOUT IT IS A FAVORITE TOPIC AMONG LOCAL TOBACCO MERCHANTS. SOME PREDICT "TRATORS IN THE STREETS"; OTHERS PREDICT "COMMUNISM". NO ONE KNOWS, BUT 100,000 UNHAPPY FARMERS PROBABLY EQUATES TO 500,000 - 700,000 PEOPLE IN NORTHER GREECE WHEN FAMILIES ARE INCLUDED, WHO ARE SEEKING RELIEF FROM THE KARAMANLIS GOVT, AND THE ONLY RELIEF THEY WANT IS HIGHER TOBACCO PRICES, EITHER THROUGH HIGHER SUPPORT PRICES OR SOME TYPE OF PREMIUM SYSTEM. UNDER EITHER, THE GOVT WOULD HAVE TO SUBSIDIZE THE EXPORT PRICE TO GET IT DOWN TO WORLD LEVELS, THEREBY GENERATING SIMILAR AND EXPENSIVE DEMANDS FROM OTHER NORTHERN GREEK PRODUCERS OF EXPORTABLE AGRICULTURAL COMMODITIES SUCH AS DECIDUOUS FRUITS. NEGROPONTE.

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